

Message Text

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ACTION SP-02

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NSC-05 IGA-02 OMB-01 CIAE-00 INR-07 NSAE-00 L-03
H-02 PRS-01 /076 W
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FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
INFO SECSTATE WASHDC 6923
AMEMBASSY ADDIS ABABA
AMEMBASSY DAR ES SALAAM
AMEMBASSY YAOUNDE

UNCLAS SECTION 1 OF 2 ABIDJAN 0416

C O R R E C T E D C O P Y-REF: (C) TO READ: TREAS 77-203

E.O. 11652: N/A
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SUBJECT: FOREIGN ASSISTANCE EXPERIENCE REVIEW

REF: (A) 77 STATE 306061; (B) 77 STATE 306064; (C) TREAS 77-203.

BEGIN SUMMARY: AFRICAN DEVELOPMENT FUND (AFDF) LENDING ACTIVITY IN ETHIOPIA AND TANZANIA HAS BEEN MODEST IN COMPARISON TO THE ACTIVITIES OF OTHER TRADITIONAL DONORS, WHILE CAMEROON HAS NOT YET RECEIVED ANY ASSISTANCE FROM AFDF. AFDF POLICY LEVERAGE IN THESE COUNTRIES HAS BEEN COMENSURATE WITH THE SIZE OF ITS LENDING PROGRAMS. BEING A YOUNG INSTITUTION WITH MODEST RESOURCES, AFDF CANNOT YET BE CONSIDERED A SIGNIFICANT FORCE IN THE AFRICAN DEVELOPMENT PROCESS. RATHER, AFDF ACTIVITIES IN ETHIOPIA AND TANZANIA ARE LARGELY COMPLIMENTARY OFFSHOOTS OF PROGRAMS INITIATED BY OTHER MAJOR DONORS.
END SUMMARY.

1. SINCE THE START OF LENDING OPERATIONS IN 1974, THE AFDF HAS APPROVED FOUR LOANS TO ETHIOPIA TOTALING 22 MILLION FUND UNITS OF UNCLASSIFIED

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ACCOUNT (FUA EQUAL TO US \$1.11), AND THREE LOANS TO TANZANIA TOTALING 18 MILLION FUA. TO DATE, THERE HAVE NOT BEEN ANY AFDF LOANS TO CAMEROON.

2. THE AFDF APPROVED ITS FIRST TWO LOANS TO ETHIOPIA IN DECEMBER OF 1975. ONE WAS A 5 MILLION FUA PARTICIPATION IN THE SOUTHERN RANGELANDS LIVESTOCK DEVELOPMENT PROJECT, WHICH WAS ORGANIZED AND

PRINCIPALLY FINANCED BY IDA, AND THE OTHER WAS A 5 MILLION FUA LOAN FOR EXTENSION OF THE ADDIS ABABA SEWERAGE SYSTEM. THIS IS A 7.9 MILLION FUA PROJECT CO-FINANCED BY THE GOE. IN FEBRUARY 1977, THE AFDF APPROVED A THIRD LOAN FOR 5 MILLION FUA IN SUPPORT OF AN INTEGRATED RURAL DEVELOPMENT PROJECT KNOWN AS AMBIRA IRRIGATION. THIS PROJECT IS PROGRAMED TO COST A TOTAL OF 50 MILLION FUA. AND FINALLY, IN OCTOBER 1977, THE FUND AGREED TO FINANCE 7 MILLION OF THE 10.9 MILLION NEEDED TO CONSTRUCT THE JIMMA-CHIDA ROAD, WITH THE BALANCE TO BE PROVIDED BY THE GOE. THUS, WITHIN A TWO-YEAR PERIOD THE AFDF HAS AGREED TO PROVIDE 22 MILLION FUA TOWARD THE FINANCING OF FOUR PROJECTS IN ETHIOPIA, WITH A TOTAL COMBINED COST OF 107.5 MILLION FUA. OF THE FOUR LOANS APPROVED, ONLY THE ADDIS ABABA SEWERAGE LOAN HAS BECOME EFFECTIVE, AND IS NOW APPROXIMATELY FIFTY PERCENT DISBURSED. THE SOUTHERN RANGELANDS PROJECT HAS BEEN HALTED BECAUSE OF SECURITY PROBLEMS IN THE AREA, AND THE PRECONDITIONS OF THE AMBIRA IRRIGATION AND JIMMA CHIDA ROAD LOANS HAVE NOT YET BEEN FULFILLED.

3. WITH THE EXCEPTION OF THE JIMMA CHIDA ROAD PROJECT, AFDF INVOLVEMENT IN ETHIOPIAN DEVELOPMENT PROJECTS HAS BEEN ANCILLARY TO THE EFFORTS OF MAJOR TRADITIONAL DONORS. IDA AND FAO ARE PRINCIPALLY RESPONSIBLE FOR DEVELOPMENT OF THE SOUTHERN RANGELANDS PROJECT; THE ADDIS ABABA SEWERAGE PROJECT IS AN OFFSHOOT OF A 1972 UNCLASSIFIED

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IBRD WATER SUPPLY PROJECT; AND THE AMBIRA IRRIGATION SCHEME ORIGINATED WITH A 1964 UNDP STUDY OF THE AWASH RIVER BASIN, RESULTING IN IDA'S AGREEMENT IN 1972 TO FINANCE THE PROJECT. ONLY IN 1976, WERE THE AFDF AND THE EEC INVITED TO PARTICIPATE IN THE FINANCING OF THE PROJECT.

4. IN THIS CONTEXT, AFDF'S INDEPENDENT POLICY LEVERAGE IN ETHIOPIA'S DEVELOPMENT PROGRAM MUST BE VIEWED AS MINIMAL. ALSO, SINCE THE PROJECTS IN WHICH THE AFDF HAS PARTICIPATED HAVE NOT YET BEEN EXECUTED, THE TANGIBLE BENEFITS OF AFDF EFFECTIVENESS IN REACHING THE POOR, ACCELERATING ECONOMIC GROWTH, ETC., HAVE YET TO EMERGE. THE POTENTIAL IMPACT OF THE VARIOUS PROJECTS, HOWEVER, IS ENORMOUS: THE SOUTHERN RANGELANDS PROJECT ENVISIONS BETTER NUTRITION FOR 100 THOUSAND FAMILIES THROUGH INCREASED MILK PRODUCTION AND EMPLOYMENT OPPORTUNITIES FOR 6,000 PEOPLE; AMBIRA IRRIGATION TARGETS A SEVEN-FOLD INCREASE IN THE ANNUAL INCOME OF A TOTAL OF 11 THOUSAND SEASONAL AND FULL-TIME EMPLOYEES; THE ADDIS ABABA SEWERAGE PROJECT IS EXPECTED TO SERVE 485 THOUSAND PEOPLE BY 1985; AND THE JIMMA-CHIDA ROAD WILL ASSIST IN THE ECONOMIC DEVELOPMENT OF A REGION WITH 41,600 INHABITANTS. THUS, THE COMBINED EFFORTS OF THE UNDP, GOE, IDA, EEC, AND THE AFDF, IN

IDENTIFYING, DEVELOPING, FINANCING, AND EXECUTING THESE FOUR PROJECTS COULD HAVE A POTENTIAL IMPACT UPON THE DAILY LIVES OF OVER 800 THOUSAND PEOPLE, MOST OF WHOM QUALIFY AS POOR BY ANY STANDARD.

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5. COOPERATION AMONG THE MULTILATERAL DONORS IN ETHIOPIA HAS BEEN THE SIGNIFICANT FACTOR LEADING TO AFDF PARTICIPATION IN THE COUNTRY'S DEVELOPMENT PROCESS. SUCH COOPERATION IS PARTICULARLY VALUABLE TO A YOUNG INSTITUTION LIKE THE AFDF WHICH HAS NEITHER THE RESOURCES NOR THE EXPERIENCE TO INDEPENDENTLY IDENTIFY, APPRAISE, AND FINANCE VIABLE PROJECTS IN ALL ITS ELIGIBLE MEMBER COUNTRIES.

6. THE PROJECTS WHICH THE AFRICAN DEVELOPMENT FUND HAS SPONSORED IN TANZANIA ARE A GOOD DEAL LESS COMPLEX THAN THOSE WHICH IT SPONSORS IN ETHIOPIA AND THEREFORE INVOLVE SOMEWHAT LESS PARTICIPATION OF OTHER DONORS. THE THREE AFDF PROJECT LOANS TO TANZANIA INCLUDE:

A) A MARCH 1975, 5 MILLION FUA LOAN FOR CONSTRUCTION OF TWO BRIDGES AND FOR FEASIBILITY AND ENGINEERING STUDIES FOR EIGHT OTHERS. THE PROJECT, KNOWN AS TEN BRIDGES, WILL COST A TOTAL OF 6.5 MILLION FUA OF WHICH 1.5 MILLION IS TO BE PROVIDED BY THE GOT.

B) A 5 MILLION FUA LOAN, APPROVED IN 1976, FOR A WATER SUPPLY PROJECT IN THE SHINYANGA AND LINDI REGIONS OF THE COUNTRY. TOTAL COST OF THE PROJECT IS 5.9 MILLION FUA, WITH THE BALANCE TO BE PROVIDED BY THE GOT.

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C) AN 8 MILLION FUA LOAN APPROVED IN FEBRUARY 1977 WHICH WITH A GOT PARTICIPATION OF 2.8 MILLION FUA PROVIDES FINANCING FOR THE RUSUMO-LASAHUNGA ROAD. THE EARLIEST OF THESE LOANS, TEN BRIDGES IS APPROXIMATELY 25 PERCENT DISBURSED. THE CONSULTANCY CONTACTS UNDER THE OTHER TWO PROJECTS HAVE ONLY RECENTLY BEEN AWARDED, AND TO DATE, THERE HAVE BEEN NO DISBURSEMENTS ON EITHER OF THE LOANS.

7. AFDF PARTICIPATION IN THE TANZANIAN DEVELOPMENT EFFORT HAS THEREFORE BEEN MODEST IN COMPARISON TO THE COMBINED OR EVEN THE INDIVIDUAL EFFORTS OF OTHER DONORS. THE DEGREE OF INDEPENDENT POLICY LEVERAGE EXERCISED BY THE AFDF HAS BEEN COMMENSURATELY MODEST. THE PROJECTS WHICH AFDF HAS SPONSORED IN TANZANIA REPRESENT A FAIRLY ORTHODOX APPROACH TO DEVELOPMENT, AND WHILE THE PROJECTS HAVE NOT REACHED A LEVEL OF EXECUTION WHERE THEIR ECONOMIC OR SOCIAL BENEFITS ARE APPARENT, THEIR POTENTIAL IMPACT IS SIGNIFICANT. THE QHINYANGA-LINDI WATER PROJECT IS INTENDED TO SERVE THE NEEDS OF THE CURRENT POPULATION OF 30 THOUSAND AS WELL AS A FOUR PERCENT PER ANNUM INCREASE THROUGH THE YEAR 1986. CURRENT WATER SUPPLY IN THE REGION IS FROM SIMPLE BOREHOLES OR NATURAL SPRINGS. WHILE IT IS DIFFICULT TO QUANTIFY THE BENEFITS OF TRANSPORT PROJECTS, THE TEN BRIDGES AND THE RUSUMO ROAD PROJECTS ARE EXPECTED TO ASSIST THE ECONOMIC DEVELOPMENT OF REGIONS WITH TOTAL POPULATION OF 2.2 MILLION. IN ADDITION, THE RUSUMO ROAD IS TO PROVIDE AN ALTERNATE SEA LINK FOR LAND-LOCKED RWANDA. THE 18 MILLION FUA WHICH THE AFDF HAS ALLOCATED TO THESE THREE PROJECTS ALONG WITH THE 5.2 MILLION INVESTMENT OF THE GOT WILL THEREFORE RESULT IN DIRECT BENEFIT TO A SIZEABLE PORTION OF THE COUNTRY'S RURAL POPULATION.

8. AS IN ETHIOPIA, AFDF PARTICIPATION IN THE TANZANIA DEVELOPMENT EFFORT IS LARGELY A DIRECT RESULT OF THE PRELIMINARY LABORS OF OTHER DONORS. THE SHINYANGA-LINDI WATER SUPPLY PROJECT WAS IDENTIFIED AND STRUCTURED WITH THE ASSISTANCE OF THE IBRD WHICH IS UNCLASSIFIED

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SEEKING SOLUTIONS TO TANZANIA'S WATER PROBLEMS ON A COUNTRY-WIDE SCALE. THE TEN BRIDGES PROJECT GREW OUT OF ENGINEERING AND DESIGN STUDIES FINANCED BY THE GOVERNMENTS OF THE UK AND DENMARK. THE AFDF'S RUSUMO LUSHAHUNGA ROAD FORMS ONLY A PARTIAL LINK FROM THE RWANDA BORDER TO THE PORT OF DAR ES SALAAM, HOWEVER, THE EEC IS FUNDING THE REMAINING ROAD SEGMENT NEEDED TO PROVIDE A DEPENDABLE ROAD-RAIL LINK FROM THE BORDER TO THE PORT.

9. CONCLUSION: THE AFRICAN DEVELOPMENT FUND IS NOW ENTERING ITS FIFTH YEAR OF OPERATION. THROUGH THE END OF 1977, IT HAD LENT A

TOTAL OF 324 MILLION FUA FOR 80 PROJECTS IN 28 COUNTRIES; REPRESENTING AN AVERAGE EXPOSURE IN EACH COUNTRY OF APPROXIMATELY 11.5 MILLION FUA. CLEARLY, THIS LEVEL OF ACTIVITY DOES NOT YET QUALIFY THE AFDF AS A SIGNIFICANT FORCE IN THE AFRICAN DEVELOPMENT PROCESS. THE RELATIVE YOUTH OF THE INSTITUTION IS EVIDENCED NOT ONLY BY THE SIZE OF ITS PROGRAMS, BUT MORE NOTABLY BY THE MODEST LEVEL OF EXECUTION OF THE PROJECTS WHICH IT HAS FUNDED. IN REVIEWING THE FUNDS RECORD IN ETHIOPIA AND TANZANIA, THE COOPERATION AMONG DONORS, BOTH BILATERAL AND MULTILATERAL, EMERGES AS A MOST SIGNIFICANT ASPECT OF FUND OPERATIONS. THIS FORM OF COOPERATION OBVIOUSLY IS ENCOURAGING. AS EVIDENCED EVEN IN THIS BRIEF REVIEW, THE FUNDS ABILITY TO MAXIMIZE THE USE OF ITS RESOURCES AND TO HAVE A POSITIVE AND TIMELY IMPACT ON A COUNTRY'S DEVELOPMENT PROCESS IS INCREASED ENORMOUSLY BY COOPERATION WITH OTHER DONORS.

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